

## Policy update: Government Response to Advisory Group Report: 'Growing a Culture of Social Impact Investing in the UK'.

### What has happened?

The Department for Digital, Culture, Media and Sport (DCMS) has today (12<sup>th</sup> June) published its response to the report [Growing a Culture of Social Impact Investing in the UK](#), the "Corley Report".

The Government's response is [available on the DCMS website](#).

### How does this relate to responsible investment?

DCMS – through the Office for Civil Society – leads both on social investment and on charity investment policy issues. The foreword is written by Tracey Crouch MP, Minister for Sport and Civil Society and John Glenn MP, Economic Secretary to the Treasury. It notes the *'challenge for Government and the financial services industry to scale up social investment in a way that remains true to the purpose of generating social outcomes as well as financial returns.'*

### A definition of social impact investing

The Government agreed with the working definition of the advisory group, with a view to coming to an agreed understanding across sectors:

*'Social impact investment consists of investment in the share or loan capital of those companies and enterprises that not only measure and report their wider impact on society – but also hold themselves accountable for delivering and increasing positive impact.'* – Advisory Group, November 2017

The Government has responded to the five themes in the Corley Report which it notes are *'practical, achievable and will accumulate.'* It makes several commitments within each theme which are outlined below.

### 1. Improve deal flow and the ability to invest at scale

- Government has undertaken work to consider what measures it could take to unlock and boost social impact investment. For instance, the Secretary of State for Housing, Communities and Local Government is considering how social impact investment might support left-behind parts of the country, and help tackle homelessness and provide housing for vulnerable people.
- Government will continue to implement the Life Chances Fund and to develop options for the further development of Social Impact Bonds.
- Government has committed to reviewing the Social Investment Tax Relief (SITR) in 2019.

### 2. Strengthen competence and confidence within the financial services industry

- Government is committed to partnering with and providing support to the financial services industry to help build social impact capabilities among investment professionals. It will work closely with regulators and statutory bodies to ensure that, as relevant to their respective mandates, social impact is considered in regulatory frameworks and understanding.

### **3. Strengthen competence and confidence within the financial services industry**

- Following the transposition of the EU Directive on Disclosure of Non-financial and Diversity Information, BEIS will lead an evaluation of company reporting on social and environmental issues.
- Government, as part of its Corporate Governance Reform package, will introduce changes to the Companies Act requirements (Section 172) to improve businesses' reporting on their impacts on employees and other key stakeholders.
- Government is exploring how businesses are using the Sustainable Development Goals to frame their social and environmental responsibility and communicate this more strongly.
- The Department for Business, Energy and Industrial Strategy (BEIS) will participate in the United Nations' Intergovernmental ISAR Experts Working Group.
- The Department for International Development (DfID) will support the World Benchmarking Alliance to publish league tables ranking company performance against the Sustainable Development Goals.

### **4. Make it easier for people to invest**

- Government will consult on changes to regulation in order to:
  - allow for consideration of broader financial risks and opportunities, including those related to environmental, social and governance (ESG) issues;
  - strengthen pension schemes' ability to consider member concerns about investments; and
  - clarify the various ways pension schemes should engage with the firms in which they invest, alongside voting, as an important aspect of stewardship of pension scheme assets.
- Government departments will consider, at ministerial level, what more can be done to increase consideration of the wider impacts of pension investments – environmental and social, as well as financial. Government will focus on ensuring that current work is capitalised upon; on identifying and, where appropriate, proposing the removal of longer-term behavioural and legislative barriers; and on improving investor consideration and communication of impact issues.
- For example, government has an aspiration that pension schemes could, if they chose to, target a minimum percentage allocation towards investments that have an explicit social or environmental purpose, and report on that. Government would also like to see member views much more seriously considered in pension investment decisions. It will work with industry and regulators to explore these ideas, and others, in order to grow the impact of pensions in the UK.

## **5. Make it easier for people to invest**

The Government make no explicit commitments in this section but note the following:

- Government backs the significant contribution that social impact investment can make to help address some of the UK's social challenges and drive innovation in the financial services sector
- Government will publish a further short update on progress in winter 2018.
- There are numerous links to similar thinking across government, for example in the Green Finance Taskforce and the Patient Capital Review, that would stimulate the UK's long-term economic growth and protect the social and environmental health of the UK and the world.
- HMT and DCMS will continue to support the Taskforce and coordinate with the range of departments that have a role in progressing a joined-up government approach.
- Complex challenges and multi-faceted opportunities require coordinated thinking, and government is committed to providing the necessary resource and support to leverage the significant potential of social impact investment to help shape a society that works for everyone.

**12<sup>th</sup> June 2017**

If you have any questions or comments on this document, or the Government's work on the social impact investment agenda please contact me at [fergus.moffatt@uksif.org](mailto:fergus.moffatt@uksif.org).